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C O N F I D E N T I A L ADDIS ABABA 000699

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TAGS: [PREL](#) [PGOV](#) [ECON](#) [KPKO](#) [CH](#) [ET](#)
SUBJECT: PRC/ETHIOPIA: PRC OPEN TO TRADE AND AGRICULTURE
COOPERATION

Classified By: Ambassador Donald Yamamoto. Reasons 1.4 (b) and (d).

Summary

¶1. (C) The Ambassador discussed with PRC Embassy counterparts opportunities for coordination and collaboration on trade and agriculture, particularly the participation of Chinese companies in the newly-formed American Chamber of Commerce in Ethiopia. PRC interlocutors explained that, despite a recent announcement by the Government of Ethiopia (GoE) of a no-bid road construction to Chinese companies, no agreement had yet been concluded because Chinese companies have concerns about the feasibility and the financing of the project. The PRC is privately urging the Eritrean government to show flexibility on the drawdown/redeployment of United Nations Mission in Ethiopia and Eritrea (UNMEE) personnel and acknowledges U.S. concerns about the integrity of United Nations' missions, the PRC Charge d'Affairs added. END SUMMARY.

¶2. (C) U.S. Embassy Addis Ababa continues its active engagement with PRC Embassy counterparts. On March 7, the Ambassador hosted a working lunch for staff at both Embassies, the fourth such session over the past six months and a supplement to regular Ambassador/DCM-level and working-level contacts. For the PRC, CDA Zhang Yuebang, Economic Counselor Liu Yunbiao, Defense AttachQ He Jun, First Secretary (Economic) Hu Qingxin, Political Officer Ma

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Xiaoxiao, Third Secretary Wang Gang and Third Secretary Li Chunjie attended. For the Embassy, ORA, DATT, PE and PAS attended. The Chinese Embassy in Addis Ababa has grown significantly over the past few years, at least doubling in size in 2007 so that there are now more than 50 officers and staff.

Trade and Agriculture Discussed

¶3. (C) The Ambassador described U.S. priorities in trade and agriculture in Ethiopia, underscoring that both of these sectors present opportunities for U.S.-China cooperation and coordination. CDA Zhang and Counselor Liu expressed deep interest in closer U.S.-China cooperation in Ethiopia. Zhang also wanted Chinese companies involved in the newly-formed American Chamber of Commerce, which is possible for those firms involved with U.S. firms in joint cooperation. Zhang also referred to our offer of cooperation on promoting new agricultural techniques to help expand production in Ethiopia. In this context, we plan to bring the Chinese to our USAID model/experimental farms. Counselor Liu said that China views food insecurity as an impediment to robust economic growth in Ethiopia. The Ambassador discussed the

possibility for trilateral cooperation with Japan and China on building, staffing and outfitting schools in rural areas. CDA Zhang was receptive. Zhang also stated that when a new batch of Chinese volunteers arrives later this year, the Chinese Embassy is receptive to collaborating on social events that will introduce Chinese volunteers to other countries' volunteers, such as Peace Corps and the British Voluntary Services Organization.

Chinese Contracts: "No Free Lunch"

14. (C) Citing February 29 news reports that, during the recent visit to Ethiopia by PRC Minister of Construction Wang Guangtao, Ethiopian Minister of Works and Urban Development Kassu Ilala announced that a Chinese company had been awarded a no-bid contract to build a six-lane highway between Addis Ababa and Nazret, Poloff underscored that such contracts set bad precedents for transparency and competitiveness and queried whether the PRC shares such concerns. CDA Zhang responded "There is no free lunch," explaining that the project requested by the GOE is cost prohibitive and would take years to complete. Chinese companies are assessing the feasibility of the project, both practically and financially. Zhang implied that Chinese companies do have some concerns about bottom lines and noted that they likely would not/not draw financing from the loan facility of the Forum on China-Africa cooperation. Zhang did not indicate where the GoE would find the funding.

PRC Views On Ethiopia-Eritrea

15. (C) CDA Zhang said that China is concerned with the potential deterioration of the situation between Ethiopia and Eritrea, which he said is not in the interests of either country. China hopes the two sides will resolve their

differences through peaceful dialogue, Zhang said, adding that "we've made efforts through our own channels, both in Asmara and through our mission in New York, to urge the Eritreans to show flexibility" on UNMEE's drawdown/redeployment. The Ambassador stressed that the pressing issue currently is the integrity of the United Nations and the ramifications of Eritrean actions for other peacekeeping operations and potential troop contributors -- including China -- worldwide. Zhang said that China acknowledges these concerns and noted China's contributions to peacekeeping efforts in Sudan, the Congo and Liberia.

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